

Building Canada into an Energy Powerhouse

Canada is endowed with the third-largest oil and fifth-largest natural gas reserves in the world. These prolific resources have provided hundreds of thousands of high-paying jobs, billions of dollars in government revenues and helped to advance important economic and social goals, notably Indigenous economic reconciliation.

But for too long, Canada hasn't allowed its oil and gas sector to realize its full potential.

Mired by burdensome regulation and uncertain or outright hostile policy, Canada has kneecapped its ability to produce and transport crude oil and natural gas to global markets quickly and competitively. These failures have reduced Canada's economic potential by scaring away investment, lowering wages, killing jobs, and making life more expensive.

What's more, Canada has overlooked the strategic value of our energy resources in protecting our sovereignty and strengthening our global influence. Geopolitical realities have shifted under our feet, but Canada's approach to developing oil and gas didn't adjust. Instead, Canada has rejected our allies' requests for access to our resources. Countries like Germany and Japan, who want to buy what we can offer, are now finding supply elsewhere.

In the quest to meet Canada's Paris Agreement commitments, we have sacrificed domestic growth and international influence, only to see our foregone emissions replaced by other countries.

And, as the United States threatens to impose tariffs on Canada, we are confronted with both the downside of our reliance on the US to buy our fuel, as well as our excessive dependence on the US for energy security in eastern Canada.

Fortunately, in the face of these threats, an unprecedented 80% of Canadians now support sea-to-sea pipelines in a bid to reduce Canada's reliance on trade with the US. We're in a window of opportunity to reverse the mistakes of the last decade-and-a-half by encouraging the development of the entire value chain of the oil and gas sector.

It's time to reaffirm Canada's sovereignty by embracing the potential of our collective resource base and becoming the responsible, sustainable energy powerhouse we ought to be. By doing so, Canada can create jobs, increase wages, protect our sovereignty, and fortify ourselves against the threat of tariffs.

Here's what Canada's next government can do to help create a national energy powerhouse:

- Champion Canada's homegrown industry and signal a desire for its growth
- Simplify climate policy and ensure it considers the industry's competitiveness
- Enhance Indigenous participation in project developments and reviews
- Fix Canada's major project approval processes

Champion Canada's homegrown industry and signal a desire for its growth

Canada has everything it needs to grow our oil and gas industry. We sit atop some of the world's most valuable reserves. We have a sophisticated workforce. We have willing international buyers. And we have a stable, democratic system of government.

The industry's success to date has been a major driver of prosperity in Canada. It has helped us achieve productivity gains, weather global financial crises, attract billions in capital investment, and create hundreds of thousands of high-paying jobs.

And yet, the federal government has spent the better part of the last decade openly hostile to oil and gas development, largely based on its belief that development runs counter to meeting Canada's Paris Agreement commitments. Pipelines were cancelled. Oil tankers were banned. Liquefied natural gas (LNG) projects were rejected. Greenfield production growth was denied. Canadians lost countless opportunities to diversify our trade partners, protect ourselves from the impacts of tariffs, and become an indispensable trade partner for our allies.

It didn't have to be this way, but we can still do something about it.

To reverse course, the federal government needs to reassert pride in Canada's responsible resource development. With a federal government that vocally champions the sector, investors will have the positive signal they need to invest again. And through its growth, Canada can realize the sector's strategic importance in securing our economic wellbeing and sovereignty—and reap the prosperity this generates.

Recommendations:

- Make a public announcement immediately upon taking office that Canada will allow and support oil and gas production to grow in line with global market demand—and that any government policies hindering this expansion will be removed.
- Issue a Cabinet Directive within 2 months of forming government that directs the Ministers responsible for energy development to: take immediate action to accelerate the approval of oil and gas pipelines, liquefaction facilities, and related infrastructure at key port locations.
- Repeal the *Oil Tanker Moratorium Act* as soon as possible.
- In the national interest, expedite the federal approval and permitting of all oil and gas pipelines, upstream production, and export terminals currently in the federal regulatory queue.
- Initiate a federally-led, industry-supported public education campaign to increase public awareness of the strategic importance of Canada's oil and gas resources, emphasizing their role in economic growth and global and domestic energy security and stability.
- Develop, in collaboration with industry, a national loan guarantee program that enables major project development to be provided with loan and project development guarantees.

Simplify climate policy and ensure it considers the industry's competitiveness

Canada should be known around the world as a reliable and responsible producer of oil and gas. When our allies come looking for supply to bolster their energy security, we should provide them with what they need—and do it while protecting the environment.

However, rather than promoting responsible *development*, the federal government has focused on over-regulating the sector. Impatient with the time it was taking for the industrial carbon price to show results, it introduced layer upon layer of uncompetitive and complex climate policy, hamstringing the industry's growth potential and driving away investment.

And what's more, Canada became hyper fixated on reducing emissions at home while ignoring the ultimate goal of reducing global emissions. We've seen huge investments, particularly in LNG facilities, flow to countries other than Canada. We lose out on the economic benefit, and the impact on global emissions remains the same as if we'd developed the resource ourselves.

For Canada's climate policy to encourage investment at home, it can't take the *development* out of responsible development; and it must take a global view of climate solutions. Investors need confidence that our policy and regulatory framework is stable, without which they cannot see a return on investment for their climate initiatives. And they need to know that climate policies are designed such that their core operations remain competitive with their international peers.

It's time to ensure investment is attracted to, and remains in, Canada by creating a stable, predictable, and globally competitive climate policy environment.

Recommendations:

- Canada should focus its industrial climate policy on a stable, predictable output-based carbon pricing system (OBPS) that ensures headline carbon price certainty over the long term. Accordingly, the federal government should repeal or cease the implementation of the Oil and Gas Emissions Cap, the Clean Electricity Regulations, the updated federal methane regulations for the upstream sector, and the greenwashing provisions added to the *Competition Act*.
- The internal review process for the federal OBPS benchmark should be conducted through competitiveness and national interest lenses. These lenses would:
 - Ensure our industry remains globally competitive, particularly with the US; and
 - Reflect the industry's geopolitical importance with regard to Canada's national, continental, and global energy security goals; and in protecting our sovereignty.
- Spur the development of carbon capture, utilization and storage (CCUS) by making projects tied to enhanced oil recovery qualify for the full federal CCUS Investment Tax Credit.
- Expand the pool of funding available for a broad-based carbon contracts for difference (CCfD) program capable of guaranteeing the long-term value of emissions performance credits and reducing the operational costs imposed by these projects.
- When signing international long-term natural gas supply agreements, pursue recognition of displaced emissions under Article 6.2 of the Paris Agreement.

Enhance Indigenous participation in project developments and reviews

The oil and gas industry knows that major projects can't be built without Indigenous consultation and full economic participation. Businesses, government, and Indigenous Peoples all need to work together if projects are going to succeed.

But for that to happen, government responsibilities, processes, and engagement efforts with Indigenous communities need to be genuine and clear.

The problem is that none of those things are clear right now. That's especially true with federal government Indigenous consultation. Every government department involved in major projects conducts its own consultations, leading to heavy overlap and inefficiency, and creating delays in moving projects forward. On top of that, the quality of government engagement with Indigenous communities varies significantly depending on the department doing the consultations. That creates uncertainty for businesses, since they can't be sure those consultations would stand up to a court challenge.

When it comes to economic participation, businesses should play a leading role. But governments can help by making sure Indigenous businesses and communities have adequate access to capital and the capacity training needed to maximize their economic benefit.

Recommendations:

- Provide project proponents with Indigenous consultation guidance that includes:
 - common guidance by project type;
 - clear limits on consultation requirements;
 - maps identifying which communities must be consulted given a project's location;
 - consultation expectations scaled by the proximity of an Indigenous community;
 - harmonized federal and provincial consultation requirements; and
 - protections from legal challenges resulting from the use of this guidance.
- Co-develop with Indigenous Peoples a clear and broadly-accepted definition and approach to free, prior and informed consent.
- Clarify how the Crown discharges its duty to consult and accommodate, including how it can leverage pre-existing relationships between Indigenous Peoples and proponents, while drawing clear distinction between the Crown's rights-based consultations and a proponent's benefit-sharing negotiations.
- Establish a centralized Indigenous Consultation Office to consolidate all Crown consultation. It should adopt a Crown-Indigenous nation-to-nation ambassador role and ensure that all federal consultations meet an appropriate standard.
- Compensate proponents for all losses incurred by the Crown's failure to properly consult.
- Preserve, and seek opportunities to expand, the Indigenous Loan Guarantee Program, which enables Indigenous participation in project developments and equity partnerships.
- Alongside industry, co-fund capacity training to promote Indigenous expertise in project participation and the assessment of benefits and impacts.

Fix Canada's major project approval processes

Developing and exporting our vast oil and gas resources is key to improving living standards, driving economic growth, protecting our sovereignty, and mitigating the impact of potential tariffs. But our existing major project review systems do not support these goals.

Under the *Impact Assessment Act*, projects of all types are mired in ever-expanding bureaucratic review and red tape; political interference; endless legal challenges; interprovincial squabbles; interdepartmental inefficiencies; and duplicative processes. Most oil and gas proponents do not want to build projects under this regulatory regime.

And that's just the project review process. If a project gets approved, the same list of problems happens all over again at the permitting stage.

The federal government has taken some steps to address these issues, but more needs to be done. We need a federal review system that is impartial, proportional, trusted, efficient, and predictable.

There are two ways to get there: reform the *Impact Assessment Act*; or replace it. The latter would allow the next federal government to start with a clean slate; but it needs to last. No business will invest in a major project if the review process changes with every federal election. In either case, major project review processes need to:

Recommendations:

- Clearly state the federal government's view that responsibly built oil and gas up-, mid-, and down-stream projects are in the public interest—even before a project review is underway.
- Limit federal assessments to projects and issues within federal jurisdiction.
- Remove a minister's power to designate a project for federal review by fiat.
- Ensure that decisions about whether to approve a project are made by an independent regulator, not by politicians at the end of a drawn-out process.
- Provide clarity from regulators on what information they need from proponents at each stage of a review—and not overstep these boundaries.
- Focus assessments on project-specific, unique, and material risks—not on low-risk activities with a history of successful mitigation. Adopt a trust-but-verify approach for low-risk activities.
- Advance reconciliation by fully including impacted Indigenous Peoples in reviews. Remove barriers to full participation; and provide full clarity on the roles of government, proponents, and Indigenous Peoples at the outset of a review.
- Provide strong leadership over reviews from a single lead agency. This agency should be the single window of communication to proponents, and be responsible for keeping all other involved departments on schedule and acting within their limited scope.
- Ensure a “one project, one review” approach by aligning or substituting federal reviews, when applicable, with provincial review processes as a preferred or primary approach.
- Demonstrate confidence in the review process by publicly championing approved projects.